

Message Text

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PAGE 01 NEW DE 01750 01 OF 02 050312Z

71

ACTION NEA-13

INFO OCT-01 ISO-00 IGA-02 ABF-01 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01

SPC-03 SS-20 SAM-01 AID-20 COME-00 EB-11 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

INRE-00 SSO-00 NSCE-00 USIE-00 DRC-01 /143 W

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O R 041440Z FEB 74 ZDK

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC IMMEDIATE 9489

INFO AMEMBASSY KATHMANDU

LIMITED OFFICIAL USE SECTION 1 OF 2 NEW DELHI 1750

E.O. 11652: N/A

TAGS: EFIN, IN

SUBJ: RUPEES: DISBURSEMENTS AFTER THE RUPEE AGREEMENT

SUMMARY: WE RECOMMEND CERTAIN POST-RUPEE AGREEMENT FINANCIAL ARRANGEMENTS DIVIDED INTO TWO PERIODS, MID-FEBRUARY TO JUNE 30, 1974 AND JULY 1, 1974 AND THEREAFTER. THESE ARRANGEMENTS WOULD MEET ALL AGENCIES' (AND EMBASSY KATHMANDU'S) KNOWN NEEDS FOR RUPEES IN BOTH PERIODS AND WOULD INVOLVE THE MINIMUM OF ADMINISTRATIVE COMPLICATIONS. EMBASSY KATHMANDU COULD WITHDRAW ITS ENTIRE RS. 65 MILLION PRIOR TO JUNE 30 IF IT SO WISHED. ALL FBO, JOINT RESEARCH PROJECTS AND LIBRARY OF CONGRESS EXPENDITURES ARE COVERED. WE REQUEST AUTHORIZATION TO IMPLEMENT THEIR RECOMMENDATIONS. END SUMMARY.

1. THE DEPARTMENT'S 18123 AUTHORIZED US TO ACCELERATE CERTAIN AID DISBURSEMENTS AND RAISED THE ISSUE OF TRANSFERS AND USES OF ACCOUNTS SUBSEQUENT TO THE RUPEE AGREEMENT. JON GAASERUD HAS PRESUMABLY REPORTED ON OUR LIMITED OFFICIAL USE

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PAGE 02 NEW DE 01750 01 OF 02 050312Z

DETAILED CONVERSATIONS WITH THE RBI AND THESE WILL NOT

BE REPEATED IN THIS MESSAGE. SUFFICE IT TO SAY THAT BOTH THE RBI AND MINISTRY OF FINANCE SEE NO DIFFICULTIES IN EFFECTING THE TRANSFERS OF FUNDS, THE ESTABLISHMENT OF NEW ACCOUNTS, AND THE HANDING OVER OF OUR CHECK WHICH WILL TAKE PLACE ON THE DATE OF SIGNATURE.

2. WE HAVE CAREFULLY REVIEWED THE ACCOUNTS AND THE LIKELY PATTERN OF EXPENDITURES AFTER SIGNATURE AND HAVE COME UP WITH THE FOLLOWING SPECIFIC RECOMMENDATIONS. THESE WOULD MEET ALL KNOWN NEEDS OF WASHINGTON AGENCIES, VZIS EMBASSY AND EMBASSY KATHMANDU.

3. THE POST SETTLEMENT FINANCIAL SETTLEMENT SHOULD BE BROKEN DOWN INTO TWO PERIODS, MID FEBRUARY THROUGH JUNE 30, 1974 AND JULY 1 AND THEREAFTER.

4. DURING THE FIRST PERIOD WE SHALL HAVE FOUR ACCOUNTS WITH THE RBI AS FOLLOW:

DOLLAR DENOMINATED ACCOUNT	RS. 4,250 MILLION (EST)
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RUPEE ACCOUNT	RS. 2,690 MILLION (EST)
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TRANSITION ACCOUNT	RS. 180 MILLION
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COOLEY ACCOUNT	RS. 190 MILLION (PLUS RS. 65.2 MILLION INFLOW)
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5. THE LATTER TWO ACCOUNTS WILL CONSIST SOLELY OF PL 480 RUPEES.

6. WE RECOMMEND THAT RUPEES TO COVER ALL EMBASSY OPERATIONAL EXPENSES, INCLUDING FBO MAINTENANCE, JOINT SCIENTIFIC RESEARCH FOR ALL AGENCIES, LIBRARY OF CONGRESS, ETC., BE DRAWN FROM THE TRANSITION ACCOUNT. THE AMOUNT IN THIS ACCOUNT CONSIDERABLY EXCEEDS EMBASSY EXPENDITURES IN ANY RECENT 4 1/2 MONTH PERIOD AND NO DIFFICULTIES SHOULD BE ENCOUNTERED. THIS WAS THE PURPOSE FOR WHICH THE TRANSITION ACCOUNT WAS ESTABLISHED AND THE GOI WOULD HAVE NO DIFFICULTY WITH THIS POLICY.
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PAGE 03 NEW DE 01750 01 OF 02 050312Z

7. WE RECOMMEND THAT THE COOLEY ACCOUNT BE UTILIZED FOR ONLY THREE PURPOSES: AID TO NEPAL (RS. 65 MILLION), AID DISBURSEMENTS UNDER PL 480 GRANT OBLIGATIONS TO THE GOI AND PRIVATE INSTITUTIONS (ESTIMATED AT RS. 15 MILLION)JY AND ALL FBO C
APITAL EXPENDITURES (DIFFICULT TO ESTIMATE
OVER THIS LIMITED PERIOD OF TIME BUT NOT LIKELY TO

EXCEED RS. 7 MILLION). ALL OF THESE EXPENDITURES ARE INCLUDED IN THOSE ENVISAGED UNDER THE RUPEE AGREEMENT AND NO GOI OBJECTIONS WOULD BE ENCOUNTERED. MOREOVER, AS NOTED IN NEW DELHI'S 1598, WE WILL BE RECEIVING INFLOWS OF RS. 65.2 MILLION IN THIS PERIOD.

8. NO WITHDRAWALS WOULD NEED TO BE MADE FROM OTHER ACCOUNTS PRIOR TO JULY 1.

9. AFTER JUNE 30 THE PICTURE CHANGES SOMEWHAT SINCE THE TRANSITION ACCOUNT WILL HAVE BEEN TERMINATED.

10. WE RECOMMEND THAT THE COOLEY ACCOUNT BE UTILIZED TO COVER CONVERSIONS (RS. 54 MILLION), AID TO NEPAL (RS. 65 MILLION), ALL FBO EXPENDITURES (RS. 14 MILLION, LIBRARY OF CONGRESS, IF NECESSARY, SEE BELOW (RS. 9 MILLION) AND CERTAIN SRS AND INTERIOR DEPARTMENT EXPENDITURES IF NECESSARY, (RS. 2 MILLION) AS WELL AS REMAINING AID PL 480 GRANT DISBURSEMENTS UNDER 104 (F) MONDALE OBLIGATIONS, 104 (G) NEPAL FOOD SHIPMENTS AND SECTION 204 (RS. 97 MILLION). COOLEY LOAN REFLOWS (RS. 155 MILLION) PLUS FUNDS IN THE COOLEY ACCOUNT ON JULY 1 ARE MORE THAN ADEQUATE TO COVER ALL THESE EXPENDITURES THOUGH CARE WILL HAVE TO BE TAKEN IN THE EARLY MONTHS OF FY 75 TO AVOID BUNCHING AID TO NEPAL EXPENDITURES ON TOP OF CONVERSIONS.

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PAGE 01 NEW DE 01750 02 OF 02 041708Z

71

ACTION NEA-13

INFO OCT-01 ISO-00 IGA-02 ABF-01 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01

SPC-03 SS-20 SAM-01 AID-20 COME-00 EB-11 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

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O R 041440Z FEB 74
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC IMMEDIATE 9490
INFO AMEMBASSY KATHMANDU

LIMITED OFFICIAL USE SECTION 2 OF 2 NEW DELHI 1750

E.O. 11652: N/A
TAGS: EFIN, IN
SUBJ: RUPEES: DISBURSEMENTS AFTER THE RUPEE AGREEMENT

11. IF THE LIBRARY OF CONGRESS, SRS AND INTERIOR SECURE AUTHORIZATION TO UTILIZE NON-PL 480 RUPEES THEIR EXPENDITURES SHOULD BE SHIFTED TO THE RUPEE ACCOUNT. IN THEORY WE SHOULD ALSO DRAW ON THE COOLEY ACCOUNT TO MAKE PAYMENTS FOR OUTSTANDING JOINT RESEARCH PROJECTS SINCE IT WAS PARTLY ON THIS BASIS THAT THE RS. 190 MILLION WAS DEPOSITED IN THIS ACCOUNT. WE RECOMMEND THAT THIS DECISION BE POSTPONED UNTIL FULL AND ACCURATE DATA ON OUTSTANDING OBLIGATIONS ARE AVAILABLE. ON THE BASIS ON THE EMBASSY'S ADMITTEDLY INCOMPLETE DATA OBLIGATIONS ARE SUBSTANTIALLY LESS (PERHAPS HALF) THAN THE EARLIER ESTIMATE. WHEN FULL INFORMATION IS AVAILABLE THIS DECISION CAN BE MADE.

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PAGE 02 NEW DE 01750 02 OF 02 041708Z

12. ALL OTHER EMBASSY, USIS, PEACE CORPS, AGRICULTURE, ACCOMMODATION EXCHANGE, ETC., EXPENDITURES WOULD BE FUNDED FROM THE RUPEE ACCOUNT.

13. IN LATER YEARS (FY 76 AND AFTERWARDS) CERTAIN CHANGES IN EXPENDITURES MIGHT TAKE PLACE. WE WOULD EXPECT THAT CERTAINLY BY THEN ALL AGENCIES WOULD HAVE SECURED AUTHORIZATION TO UTILIZE NON-PL 480 RUPEES AND THIS SHOULD EASE THE PRESSURES ON THE COOLEY ACCOUNT. COOLEY LOAN REFLOWS APPEAR ADEQUATE TO COVER ALL EVENTUALITIES FOR THE CRUCIAL FIRST THREE YEARS DURING WHICH AID TO NEPAL IS FUNDED.

14. TO SUMMARIZE, THERE ARE MORE THAN ADEQUATE RUPEES (PL 480 AND NON-PL 480) AVAILABLE FOR ALL KNOWN USES IN INDIA AND NEPAL. THE ABOVE DESCRIBED ARRANGEMENTS MEET ALL KNOWN NEEDS OF THIS EMBASSY, EMBASSY KATHMANDU AND WASHINGTON AGENCIES. EVEN IF EXPENDITURES INCREASE SHARPLY FOR REASONS THAT CANNOT BE DETERMINED TODAY (E.G., MASSIVE INFLATION) NO DIFFICULTIES ARE EXPECTED. FROM AN ADMINISTRATIVE/BUDGET AND FISCAL POINT OF VIEW,

THE ARRANGEMENTS ARE STRAIGHT FORWARD AND EASY TO IMPLEMENT. ACTION REQUESTED: WITH SIGNATURE OF THE AGREEMENT ONLY ABOUT TWO WEEKS AWAY WE WOULD APPRECIATE SPEEDY CONFIRMATION THAT THE ABOVE DESCRIBED ARRANGEMENTS ARE SATISFACTORY AND MAY BE IMPLEMENTED.
SCHNEIDER

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Message Attributes

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